APPRAISAL REPORT
OF THE LAKE COUNTY LAND FOR
SOUTH DAKOTA SCHOOL & PUBLIC LANDS
LOCATED AT THE LEGAL DESCRIPTION OF
SOUTH 511.23 FEET OF WEST 511.23 FEET, LESS LOT H-2 OF THE SW ¼ SW ¼ OF
SECTION 2, TOWNSHIP 106 NORTH, RANGE 53 OF
LAKE COUNTY, SOUTH DAKOTA

FILE NUMBER 19-0815-MADISON-SPL

CLIENT
SOUTH DAKOTA SCHOOL & PUBLIC LANDS
500 EAST CAPITOL AVENUE,
PIERRE, SOUTH DAKOTA 57501
ATTN: RYAN BRUNER AND MIKE LAURITSEN

EFFECTIVE DATE OF VALUE: AUGUST 6, 2019
DATE OF REPORT: AUGUST 8, 2019
DATE OF SITE OBSERVATION: JULY 19, 2019 & AUGUST 6, 2019

BY
BRIAN J. GATZKE, ARA
NORTHERN PLAINS APPRAISAL, LLC
PO BOX 63
BROOKINGS, SD, 57006-0063
August 8, 2019

Mr. Mike Lauritsen, Deputy Commissioner
South Dakota School & Public Lands
500 East Capitol Avenue
Pierre, SD 57501

RE: Appraisal Assignment in presented in an appraisal report, Job #19-0815-Madison-School & Public Lands, Unimproved Land located at the legal description noted below, Lake County, SD

Dear Mr. Lauritsen and Mr. Brunner:

In accordance with your request, I have prepared an appraisal assignment presented in an appraisal report of the above referenced property. The purpose of the appraisal is to provide an opinion of fair market value as of a current date of the fee simple interest (subject to easements and encumbrances). The intended use of the appraisal is to establish a base sale price to be reviewed by the SD School & Public Lands Valuation Committee.

After an inspection of the subject property of July 19, 2019, and again on August 6, 2019, and after completing the investigations and analyses necessary for the appraisal of the property, I have formed an opinion of market value. It is my opinion the fair market value of the subject property as of August 6, 2019, for the unimproved land located west of Madison, Lake County, SD, is as noted:

$40,000
FORTY THOUSAND DOLLARS

EXTRAORDINARY ASSUMPTION:
Subject useable lot area is 5.0 acres minimum after roadway and highway ROW and H lots are accounted for from the total deeded acres.
Analysis of the subject property and the data on which the appraiser’s opinions are based are set forth in the following report. This appraisal has been made in conformity with generally accepted appraisal practices in accordance with the Uniform Standards of Professional Appraisal Practice, (USPAP). Appraisal is subject to all assumptions, limiting conditions and other special limiting conditions as set forth in this report, or are specifically presented below.

The intended user of this appraisal is State of South Dakota School & Public Lands, with the intended use as stated. Use of this report without the consideration of the whole or for any other use, or by any other user, is strictly prohibited, and this appraisal, when used in this manner, is null and void and of no effect.

Thank you for this opportunity to provide appraisal services. Please contact me if you have any questions or need additional information.

Respectfully submitted,

BRIAN J. GATZKE, ARA
Certified General SD#818CG-2019
LIMITING CONDITIONS

This appraisal report, letter of transmittal and the certification of value are made expressly subject to the following limiting conditions and any special limiting conditions contained elsewhere, which are incorporated herein by reference.

1. This appraisal is subject to the accuracy of the legal description furnished the appraiser; I can assume no responsibility for matters legal in nature, nor can I render an opinion as to the title.

2. I believe the information which was furnished to me by others is reliable but assume no responsibility for its accuracy. The comparable data relied upon in this appraisal is believed to be from reliable sources. However, it was not possible to inspect the comparables completely and it was necessary to rely on the information furnished by others as to said data. Therefore, the value conclusions are subject to the correctness of said data.

3. Unless otherwise indicated, all existing liens and encumbrances have been disregarded and the property is appraised as though it were free and clear of any such impediments that might affect value. The property is appraised as though it were under responsible ownership and competent management.

4. Subsurface rights (minerals and oil) were not considered as they may or may not contribute to the value of the surface rights unless otherwise indicated.

5. Only the real estate surface right interest has been considered.

6. The appraiser has inspected, as far as possible, by observation. However, it was not possible to personally observe conditions beneath the surface. Inspection by appraiser does not guarantee the lack of the presence of any hazardous materials, gases, or other materials which could be considered to pollute the environs of the subject property. Therefore, no representations are made herein as to these matters, and unless specifically considered in the report, my value estimate is subject to any such conditions that could cause a loss in value.

7. Any sketches in this report are included to assist the reader in visualizing the property. I have not made a survey of the property and assume no responsibility in connection with such matters when it relates to survey or legal advice.

8. I am not required to give testimony or to appear in court by reason of this appraisal with reference to the property in question unless arrangements have been previously made.
9. Possession of this report or a copy thereof does not carry with it the right of publication. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media, nor for any purpose, without the written consent and approval of the appraisers, particularly as to valuation conclusions, the identity of the appraisers or firm with which they are connected, or any reference to the American Society Farm Managers & Rural Appraisers or the ARA designation or The Appraisal Institute.

10. The appraiser is not aware of the presence of soil contamination on the subject property unless otherwise noted in this appraisal report.

11. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser is not qualified to detect such substances. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

12. The limit of liability of the appraiser or Northern Plains Appraisal, LLC., is limited to the client only and to the amount of the fee received. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of this assignment. The appraiser is in no way responsible for the costs to correct any physical, economic, legal or any other deficiencies of the property. In the case of any third-party actions brought against the client, the client will hold the appraiser completely harmless.

13. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraisers have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA in estimating the value of the property has not been considered.
APPRAISER’S CERTIFICATION OF VALUE

I certify that, to the best of my knowledge and belief:
1. the statements of fact contained in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions, limiting conditions, and legal instructions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. I have no present or prospective interest in the property appraised, and I have no personal interest bias with respect to the parties involved;
4. The compensation received for the appraisal is not contingent on the analyses, opinions, or reached or reported;
5. I have made a personal inspection of the property appraised and that the property owner, or his/her designated representative, was given the opportunity to accompany us on the property inspection;
6. no one provided me with significant professional assistance;
7. I have performed no services, as appraiser or in any other capacity, regarding the property that is the subject of this report, within the three-year period immediately preceding acceptance of assignment;
8. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
9. My engagement in this assignment was not contingent upon developing or reporting predetermined results;
10. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of appraisal;
11. no one provided significant real property appraisal assistance to me signing this certification;
12. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
13. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
14. the use of this report is subject to the requirements of the American Society of Farm Managers & Rural Appraisers relating to review by its duly authorized representatives for Brian J. Gatzke

EFFECTIVE DATE OF VALUE and LAST SITE REVIEW DATE: August 6, 2019
DATE OF REPORT PUBLISHED: August 8, 2019

Fee Simple Market Value:
Final Estimate of Value: $40,000 FORTY THOUSAND DOLLARS & NO CENTS

Date August 8, 2019 Brian Gatzke, ARA State Certified General #818CG-2019

EXTRAORDINARY ASSUMPTION:
Subject useable lot area is 5.0 acres minimum after roadway and highway ROW and H lots are accounted for from the total deeded acres.
SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Location: Unimproved Land located west of Madison northeast of the intersection of US Hwy 18/SD Hwy 34 & 452 Avenue, Lake County, South Dakota

Owners: State of South Dakota, managed by the Department of School & Public Lands

Property Rights Appraised: Fee Simple, subject to easements and encumbrances

Land Area: Per Public Equalization Records: 5.57 Acres (242,629 Square Feet), more or less subject to survey

Current Use: Vacant-rectangular shape land being utilized as hayfield

Improvements: None Noted except a few scattered trees and aged fence

Zoning: Agriculture District land use, placed over the Aquifer Protection Zone B.

Effective Date of Value and Last Date of Site Visit: August 6, 2019

Highest and Best Use: Agriculture use held in transition to higher use

Fee Simple Market Value:

OPINION of MARKET VALUE Indicated Summarized by:

Cost Approach N/A
Income Approach N/A
Sales Comparison Approach $40,000

Final Estimate of Value: $40,000
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IDENTIFICATION OF THE PROPERTY:

LEGAL DESCRIPTION:
Legal descriptions as taken from the last deed of record is as follows:

South 511.23 Feet of West 511.23 Feet (Less Lot H-2) Of The SW ¼ SW ¼ of Section 2, Township 106 North Range 53 West of the 5th P.M., of Lake County, South Dakota.

(more or less, upon review this did not exclude the SD DOT H-Lots from the legal description)

A copy of the aerial with boundary from Lake County Equalization office GIS is noted below:
LOCATION:
Subject property is located 1 mile west of Madison City limits. The property sits at the northeast corner of the intersection of 452 Avenue and US Hwy 18/SD Hwy 34, with ingress/egress off US 81 on the south side and 452 Avenue on the west side. Subject is north of Lake Herman.

NOTE: upon a review of legal description and survey, conflicts in legal description and ownership is noted below with subject. A title review is warranted due to quit claim deeds, rural water and less H Lots. 5.57 Acres+.

OWNERSHIP HISTORY AND OWNER OF RECORD:

Grantors: Barbara J. Schwebach
Grantee: William F. Schwebach
Legal: SW ¼ of Section 2, Township 106 North Range 53 West of the 5th P.M., of Lake County, South Dakota. (undivided one-half interest as tenants in common)
Instrument: Quit Claim Deed Instrument Date: December 13, 2000
Date of filing: January 16, 2001 Book: 356 Page: 32
Transfer: $0.00-Exempt from transfer fee
Comments: Divorce Decree

Grantors: William F. Schwebach, a single person
Grantee: Barbara J. Schwebach
Legal: SW ¼ of Section 2, Township 106 North Range 53 West of the 5th P.M., of Lake County, South Dakota. (undivided one-half interest as tenants in common)
Instrument: Quit Claim Deed Instrument Date: December 11, 2000
Date of filing: December 14, 2000 Book: 350 Page: 780
Transfer: $0.00-Exempt from transfer fee
Comments: Divorce Decree

Grantors: State of South Dakota
Grantee: South Dakota Department of Transportation
Legal: Lot H-2 in the SW ¼ of SW ¼ of Section 2, Township 106 North Range 53 West of the 5th P.M., of Lake County, South Dakota. (0.42 acres more or less)
Instrument: Deed Instrument Date: October 23, 1990
Date of filing: October 29, 1990 Book: 271 Page: 473
Transfer: $0.00-Exempt from transfer fee
Comments: Highway ROW taking along US 81, south side of subject site. (Does not include the township road ROW)

Grantor: George E and Pamela K Stone
Grantee: Kingbrook Rural Water System, Inc.
Legal: SW ¼ of Section 2, Township 106 North Range 53 West of the 5th P.M., of Lake County, South Dakota
Instrument: Right of Way Easement Instrument Date: March 14, 1990
Date of Filing: April 23, 1990 Book: 269 Page: 690
Transfer: $3.00 paid
Grantors: William F and Barbara J Schwebach, husband and wife
Grantee: State of South Dakota
Legal: South 511.23 Feet of West 511.23 Feet Of The SW ¼ Of Section 2, Township 106 North Range 53 West of the 5th P.M., of Lake County, South Dakota.
Instrument: Warranty Deed Instrument Date: January 8, 1987
Date of filing: January 8, 1987 Book: 258 Page: 71
Transfer Fee: $0.00-Exempt from transfer fee
Comments: Ownership Deed for vacant land, more or less 5.99 acres.

CLIENT AND INTENDED USERS:

Client and intended user of the appraisal is Department of School & Public Lands, the State of South Dakota.

PURPOSE AND INTENDED USE OF THE APPRAISAL:

The purpose of the appraisal is to estimate the current “as is” fee simple (subject to easements and encumbrances) fair market value as of the date of the inspection. The intended use of the appraisal is to establish a base sale price to be reviewed by the SD School & Public Lands Valuation Committee.

TYPE OF APPRAISAL ASSIGNMENT AND REPORT FORM:

Appraisal is an Appraisal Report in compliance with the Uniform Standards of Professional Appraisal Practice Standards (USPAP).

DATE OF VALUE AND DATE OF THE REPORT:

Date of value is July 19, 2019. The date of inspection is July 19, 2019. Date of the report is August 8, 2019, as the dates stated on the Appraiser’s Certification of Value.

PROPERTY RIGHTS APPRAISED:

Requested rights appraised are fee simple subject to easements and encumbrances, as subject has a rural water utility easement


Fee Simple Estate. Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
DEFINITION OF MARKET VALUE:

Definition of fair market value is as follows:

**Fair Market Value (General):**
"The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress." [The Dictionary of Real Estate Appraisal, 4th edition, page 141, Market Value Definitions]

PERSONAL PROPERTY:

Definition of personal property is as follows:

*Personal Property.* Identifiable tangible objects that are considered by the general public as being "personal" - for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. (USPAP, 2018-19 Edition)

There is no personal property included in this appraisal report.

INTANGIBLE PROPERTY:

Typically, intangible property is not included in the value of real estate. Definition of intangible property is as follows:

*Intangible Property (Intangible Assets).* Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts, as distinguished from physical assets such as facilities and equipment. (USPAP, 2018-19 Edition)

There is no intangible property included in this appraisal report.

COMPETENCY REQUIREMENT:

Mr. Brian J. Gatzke, ARA, has over 15 years of appraisal experience and knowledge in appraising rural and investment commercial property, both existing and proposed, for a number of clients. In the judgment of the appraiser, no additional or special steps are needed to satisfy Competency Provision of Uniform Standards of Professional Appraisal Practice. Review of appraisal experience is available by a review of Appraiser’s Qualifications.
SCOPE OF THE APPRAISAL:

Overview:
In completing the appraisal, the appraiser made a number of independent investigations and analysis specific to this appraisal. As a part of the research and analysis, the appraiser has relied upon data retained in office files, which are updated regularly along with a research of sales in the area and surrounding areas. The appraiser conducted a special review of the land use per zoning. Narrative appraisal report prepared is an Appraisal Report. This report is acceptable when the intended user is reasonably familiar with the subject property and local market conditions. Mr. Brian J. Gatzke, ARA, Certified General Appraiser, conducted the appraisal and the physical inspection. Research undertaken and the major data sources used are discussed in the following paragraphs.

Site Description and Analysis:
The appraiser obtained information from the City of Madison, Lake County Zoning & Equalization, and Lake County Register of Deeds for pertinent data as needed relating to the subject property. The appraiser reviewed Lake County Courthouse records for the history of transactions relating to the subject property for a period in excess of three years. The appraiser physically inspected the property and photographed the subject property, surrounding area and street scenes.

Improvement Description and Analysis:
Subject is not improved

Market Data Development:
The appraiser obtained data on vacant land transfers by researching transfers occurring within the last 3 years that were competitively zoned and located near or in the subject or competing neighborhoods. The appraiser reviewed sales of similar un-improved properties in the area market. The market data revealed minimal open market sales for the past two years. The appraiser selected the sales most similar to the subject and subject market and obtained copies of deeds and financing instruments from the courthouse. The appraiser attempted to contact the parties involved in the transaction or the buyers, sellers, or both, to verify transaction data and ensure that the sales were at "arms-length." Details of the verified sales are included in the Addenda.

Correlation and Final Value Estimate:
Upon completion of all the steps to gather and analyze data and to develop the appropriate approaches to value, a review of the value indications is made and final value estimate conclusion.
The following conclusions and data are in summary form based on and from the complete Area Data maintained in the appraiser’s work file. The purpose of the area and neighborhood analysis is to review information on the social, governmental and economic forces of the local economy and the expectations for the future. My conclusion of the factors influencing the real estate market is generally positive. The population of South Dakota has continually grown, and employment has been stable to increasing. This has provided for a strong economy. Overall, Lake County and Madison are home to Dakota State University, Gehl Manufacturing, East River Electric Cooperative, Superior Homes, Ethanol Fuel Grain based corn plant, and surrounding support businesses. Dakota State University is recognized as a leader with communication technology and network design education as a four-year university. The per capita income is relatively high compared to other counties, which is attributed to the local economic, University, and manufacturing base.
I have reviewed the relevant data for Madison, Lake County, and South Dakota, along with a comparison review of demographic and economic data for similar cities and counties in the general region.  

Sources: US Census Bureau 2019

POPULATION COMPARISONS for SIMILAR COUNTY SEATS

POPULATION COMPARISONS for SIMILAR COUNTRIES

MEDIAN HOUSEHOLD INCOME COMPARISONS for SIMILAR COUNTRIES

AREA DATA: (continued)

POPULATION PER SQUARE MILE COMPARISONS for SIMILAR COUNTRIES
### State of South Dakota - Non-Ag Wage and Salary Employment

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources/Mining/Construction</td>
<td>46800</td>
<td>69100</td>
<td>70100</td>
<td>68400</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>44400</td>
<td>43100</td>
<td>42200</td>
<td>42600</td>
</tr>
<tr>
<td>Retail</td>
<td>52,400</td>
<td>53,000</td>
<td>53,700</td>
<td>52,900</td>
</tr>
<tr>
<td>Wholesale</td>
<td>21,000</td>
<td>20,800</td>
<td>21,000</td>
<td>21,000</td>
</tr>
<tr>
<td>Trade, Transportation &amp; Utilities</td>
<td>86,800</td>
<td>87,000</td>
<td>88,000</td>
<td>87,300</td>
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<tr>
<td>Information</td>
<td>5,600</td>
<td>5,700</td>
<td>5,800</td>
<td>5,900</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>29,200</td>
<td>29,300</td>
<td>29,300</td>
<td>29,700</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>32,600</td>
<td>31,500</td>
<td>31,400</td>
<td>30,800</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>72,800</td>
<td>71,500</td>
<td>70,300</td>
<td>69,100</td>
</tr>
<tr>
<td>Leisure/Hospitality</td>
<td>47,300</td>
<td>47,000</td>
<td>46,700</td>
<td>46,200</td>
</tr>
<tr>
<td>Public Administration</td>
<td>79,600</td>
<td>79,100</td>
<td>78,400</td>
<td>77,800</td>
</tr>
<tr>
<td>Other</td>
<td>16,800</td>
<td>16,700</td>
<td>16,600</td>
<td>16,300</td>
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<tr>
<td><strong>Total</strong></td>
<td>438,900</td>
<td>434,200</td>
<td>432,400</td>
<td>428,700</td>
</tr>
</tbody>
</table>

Source: S.D. Department of Labor & Regulation with the U.S. Bureau of Labor Statistics
BUILDING PERMITS – City of Madison, Lake County, SD

<table>
<thead>
<tr>
<th>Year</th>
<th>Residential #</th>
<th>Residential $</th>
<th>Commercial #</th>
<th>Commercial $</th>
<th>TOTAL $</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>141</td>
<td>2,077,284</td>
<td>31</td>
<td>10,092,281</td>
<td>12,169,564</td>
</tr>
</tbody>
</table>

SOURCE: –City of Madison, South Dakota

The growth of Lake County and the City of Madison is dependent upon the demand for labor from area manufacturing plants and local expansion of the University, manufacturing plants, agriculture services, lake recreation, and local theme park of Pioneer Village. The community is experiencing some of the lowest sustained unemployment rates in history, and approximately 428 full time jobs were added in 2018 in Lake County. Growth is expected to continue into 2019. Local manufacturers have job openings, and finding labor is a challenge with increased demand for residential homes. Conversations with the City Building Officials office supports the evidence of a strong growth pattern for new housing and multi-family dwellings in the present and near future.

The following page is a summary of the Lake County building permits. The large change in 2018 as the large expansion with ethanol processing plant and electric utility headquarters. Overall, the building permits are normal with expansion around the lake and rural areas.

<table>
<thead>
<tr>
<th>Month</th>
<th>2017 # Permits</th>
<th>2017 $ Cost</th>
<th>2018 # Permits</th>
<th>2018 $ Cost</th>
<th>2019 # Permits</th>
<th>2019 $ Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>8</td>
<td>$259,900</td>
<td>4</td>
<td>$3,029,000</td>
<td>1</td>
<td>$750,000</td>
</tr>
<tr>
<td>Feb</td>
<td>5</td>
<td>$128,700</td>
<td>5</td>
<td>$331,500</td>
<td>0</td>
<td>$-</td>
</tr>
<tr>
<td>March</td>
<td>19</td>
<td>$1,505,129</td>
<td>8</td>
<td>$779,000</td>
<td>3</td>
<td>$206,000</td>
</tr>
<tr>
<td>April</td>
<td>31</td>
<td>$2,645,651</td>
<td>18</td>
<td>$3,713,500</td>
<td>13</td>
<td>$1,164,000</td>
</tr>
<tr>
<td>May</td>
<td>24</td>
<td>$2,510,727</td>
<td>28</td>
<td>$15,903,400</td>
<td>18</td>
<td>$3,026,000</td>
</tr>
<tr>
<td>June</td>
<td>22</td>
<td>$1,148,950</td>
<td>23</td>
<td>$1,451,400</td>
<td>20</td>
<td>$1,899,000</td>
</tr>
<tr>
<td>July</td>
<td>13</td>
<td>$314,000</td>
<td>19</td>
<td>$2,069,000</td>
<td>24</td>
<td>$1,117,100</td>
</tr>
<tr>
<td>August</td>
<td>24</td>
<td>$2,027,000</td>
<td>17</td>
<td>$999,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>32</td>
<td>$2,653,500</td>
<td>18</td>
<td>$2,178,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>29</td>
<td>$2,622,000</td>
<td>21</td>
<td>$2,396,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>11</td>
<td>$868,500</td>
<td>8</td>
<td>$1,337,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>8</td>
<td>$676,000</td>
<td>4</td>
<td>$812,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>226</td>
<td>$17,360,057</td>
<td>173</td>
<td>$34,999,300</td>
<td>79</td>
<td>$8,162,100</td>
</tr>
</tbody>
</table>

SOURCE: –Lake County, South Dakota
Following is a table of the student population for Dakota State University that is recorded for the fall of each year, from 2013 – 2017:

**STUDENT POPULATION**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>3,145</td>
<td>3,190</td>
<td>3,307</td>
<td>3,382</td>
<td>2-5% + projected</td>
</tr>
</tbody>
</table>

SOURCE: Dakota State University, BOR, Madison, SD

Enrollment trends since 2015 are expected to increase at a moderate rate and continue into the near future at a modest 2-5% more students. Growth is in network education.

**AREA DATA SUMMARY:**

In summary, the population data is growing at a pace higher than the State. Economic capacity of the population is increasing at a rate similar than the comparable counties. Average household income is stronger of the directly compared to counties noted. Population will continue to grow, and unemployment is low. Strong economic income and employment growth supports residential growth and demand. Economic growth is reflected in the number of building permits issued and retail sales growth. Madison has shown sustained growth in both single and multifamily building permits over the last three years, and retail sales remain steady compared to similar sized counties in this comparison. Madison is approximately 40 miles from Sioux Falls, the major retail trade center in the region.

Educational services provide a good portion of the local employment, along with the local manufacturing companies. Attraction of new business and industry, as well as the expansion of existing business and industry in the market, could significantly expand the City's economy.

Stable growth with the agricultural sector, Gehl Manufacturing along with Superior homes and the local university continues to grow, which should keep demand in the market area strong. Local employers support the student base at Dakota State University. Area lakes are an attraction for lake home living and recreation.
NEIGHBORHOOD DATA:

Subject is located 1.5 miles west of the City of Madison, the county seat for Lake county. Lake County is the primary neighborhood with sales outside of the city limits of Madison or sales in the city limits with no sanitary sewer connections and more rural type entity. Subject is not in the city limits and is highly not likely to be in the near future. As discussed, the immediate subject neighborhood is defined as the area around the City of Madison, which is a community of slightly more than 7,322 people as of 2017, with Dakota State University, a four-year state university/college located in the northcentral portion of the city. The map on the following page shows the general location of subject to the town and Lake County.

Primary east-west access to Madison is US Highway 81 and SD Highway 34, intersection in the western side of the city. Highway 34 has an interchange with Interstate 29 to the east. The City of Madison supports the local agriculture and business community.

Since this is a college town, the population shrinks and swells slightly with the school year, and many of the area businesses hire college students, and many are year around residents.

Transportation along US 81/SD highway is one of the frontages of the subject. Reviewing the location of a driveway on the south side with the SD DOT indicates the driveway will not be used for any development except agriculture use. This is due to the requirement of 1,000 feet from an intersection if the property has an access from another public road, which it does along the west side from 452 avenue, a gravel surface township road. SD highway 34 along the south side is a major east/west arterial road across South Dakota and US 81 along the south side is a major north/south highway running from Mexico to Canada.

Prairie Village is located south of the subject along the same frontage highway. Prairie Village is not governed by either the city of county for land use and listed as its own entity and not formed with county zoning land use limits outside of the subject location.

There are no utility limitations in the next 10 to 20 years for Madison and Lake County that would limit growth. Madison is recognized for high quality water and is home to one of the area’s larger aquifers. Madison has adequate water supply, the sewer system is designed to accommodate planned growth, natural gas and electricity is available to the area, and telecom is provided by several privately-owned companies and the university. Subject is outside of the City of Madison; however, rural water, rural electric, and access is supported within the joint jurisdiction review of buildings.
Zoning and other land use regulations:

Reviewing the long comprehensive planning report for Lake County as found on the Lake County zoning and planning web site features a few key items to be quoted as follows:


1. Development Constraints in the Unincorporated Areas of the County. Page 42
   a. Shallow aquifer – (aka Zone B) This development constraint category has been designated from groundwater shallow aquifer studies. Special consideration should be given to preventing types of development, which have the potential to pollute the aquifer (concentration of residences, chemical storage, concentrated animal feeding operations, certain commercial and industrial uses, etc.) unless coordinated precautionary measures are instituted.

2. For municipalities to exercise these extraterritorial zoning powers, the county and city must adopt identical zoning ordinances. Presently, there are no areas of joint jurisdiction within the County. Page 51

3. Minimize driveway approaches onto county and state highways. Page 48

4. Commercial and Industrial development projects which potentially pose a threat to the environment shall be precluded from siting in Areas of Development Limitation. Page 46

5. Policies: page 45
   a. Non-farm residential development should take place at locations that minimize public infrastructure costs and potential agricultural/residential conflicts and promote safety.
   b. In Areas of Development Stability on paved roads further than one-half (1/2) mile from an existing farm - Rural residential density of one eligible building site on one (1) acre tract with a maximum of four (4) building sites per quarter-quarter section of land.
   c. Areas of Development Stability where the proposed residential development is less than one-half (1/2) mile from an existing farm and where there is presently the incidence of an existing non-farm residence located on the section on a paved road - Rural residential density of one eligible building site on one (1) acre tract with a maximum of four (4) building sites per quarter-quarter section of land and a waiver signed by all adjacent farms within one-half (1/2) mile.

6. Environmental Policies It is the goal of Lake County to avoid development in areas that: Page 43
   a. Policy 1. Soil characteristics, depth to aquifer, topography and other construction limitations should be carefully considered in project site planning.
      i. The development of stream corridors, the aquifer, natural floodplains and drainageways and other significant natural areas that are unsuitable for construction shall be precluded.
      ii. County Officials shall strive to protect surface water and groundwater, especially in those areas that are designated wellhead and shallow aquifer protection areas.
      iii. Natural drainage courses should be protected in their capacities to carry runoff water.
Conclusion:
Madison region in Lake County will continue to experience growth and increase in demand for all segments of the real estate market as population grows, and growth of the university, employers, and increase in household income places demands on residential housing. Residential housing will in turn place pressure for other types of real estate development surrounding Madison in Lake County. Growth will continue to occur, but the rate of growth will depend on the ability of the City and the school system to meet the needs of the population, and affordable housing is made available to help attract workers in the centers of employment.

Demand for residential in rural (non-urban) areas is stable. Land use planning of agriculture land limits the potential of the subject for non-agriculture and non-single family residential use. It is realistic for the subject to have a home business with low environmental impact, such as home photography, insurance or other type of low volume traffic. The use of the driveway along with the south side for any non-agriculture production use is restricted. Location for a home business and rural residential home with rural services would have access along the west side off 452 avenue is realistic. It is speculative for any commercial use that is not a home business and therefore subject use is limited to the subject by location, size, access, and zone B of the aquifer protection zone.
MARKET CONDITIONS & ACTIVITY:

General overall economic conditions were discussed and summarized in the Area Data and Neighborhood Data sections of this report. This section relates specifically to the commercial real estate segment and to the subject property as it relates to exposure time and marketing period within the Watertown market.

Following three paragraphs are taken directly from Advisory Opinion AO-7 of the Uniform Standards of Professional Appraisal Practice, 2018-19 Edition. These paragraphs help explain marketing time and methods to estimate.

The reasonable marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value or at a benchmark price during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.

Rationale and Method for Developing a Marketing Time Opinion

The development of a marketing time opinion uses some of the same data analyzed in the process of developing a reasonable exposure time opinion as part of the appraisal process and is not intended to be a prediction of a date of sale or a one-line statement. It is an integral part of the analyses conducted during the appraisal assignment. The opinion may be expressed as a range and can be based on one or more of the following:

* statistical information about days on market;
* information gathered through sales verification;
* interviews of market participants; and
* anticipated changes in market conditions.

Related information garnered through this process includes other market conditions that may affect marketing time, such as the identification of typical buyers and sellers for the type of real or personal property involved and typical equity investment levels and/or financing terms. The reasonable marketing time is a function of price, time, use, and anticipated market conditions, such as changes in the cost and availability of funds, and is not an isolated opinion of time alone.

Exposure Time:

Exposure time is presumed to precede the effective date of the appraisal. Exposure time relative to subject property type is estimated generally at 12 months or less. Basis for this estimated exposure time is appraisers’ information obtained from area real estate brokers, which has been validated by Greater Sioux Valley Board of Realtors’ Multiple Listing Service based out of Sioux Falls and interviews with area brokers and auctioneers. The service reports average Days on Market marketing time for all property types sold by classification. These statistics include most of the towns within a 30 minute drive of Sioux Falls. Statistics for residential improved properties conclude approximately 90 days of Exposure. The days on market for this property class have not changed dramatically over the last four years and has had minimal properties added to the inventory. The trend has been steady. Current pricing and amount of property on the market does not indicate any decline in price, but the area has seen an increase in the amount of property available for sale. Exposure time for this property type has traditionally been under 9 months, which is considered good.
Appraiser has contacted several real estate agents and found the common comment to be: “if the property is reasonably and competitively priced, it will take less than 6 months to sell with higher demand for rural residential and shorter days on the market. Typically a 90 day window to advertise and promote is not uncommon.” This comment would certainly appear reasonable based upon the experience of the appraiser and the MLS data.

**Market Conditions:**
Subject property is located adjacent to a major arterial feeder roadway in an area that is mostly developed with few available vacant lots for new housing and commercial activity along the southwest side of Madison. Madison is a developing community that is experiencing new construction of commercial/industrial properties being constructed along the south side of the city. There is minimal new construction of commercial/industrial properties on the west side of which is where the subject site is located. The north and northeast of Madison and surrounding Lake Park districts are expanding residential. Subject location on the west side of the city in the county land use guidelines is neutral, as it will not experience significant residential development, but will complement the properties surrounding the site. In general, the real estate market is in demand and a strong balance with supply because even at times of momentary oversupply, market demand has been expanding which has absorbed the oversupply in a reasonable time frame. Expectations for this market segment are also based on current market conditions of the area, as drawn from the information presented in the Area and Neighborhood Data sections.

**Marketing Time:**
Marketing time is heavily influenced by historical exposure time, as discussed above, but is tempered by the current economic conditions and by the pricing of the property. Lake County and city of Madison market has been an active real estate market for all segments for some time now, and in the judgment of the appraiser, there have been no major changes in market factors that would significantly impact marketing time. In the judgment of the appraiser, the marketing time of subject would be 6 months or less.

**Sales Activity:**
Pasture or hay land sales range from $1,500 to $3,000 an acre and generally settle in the $2,00 an acre range with higher towards farmable hay land. The subject being 5.0 acre at $3,000 an acre would have agriculture use at $15,000, more or less, and it would not be an economic unit but a supplemental add on. Unimproved residential lot sales within the Lake County vary from size of 1.0 to 10 acres. These sizes under 5.0 acres is largely attributed to being outside of the aquifer Zone B protection zone. The sales are comparable to the subject for building area and meet septic and sanitary district requirements. Sales of rural residential (Non City of Madison Lots) ranged from $28,500 to $65,000. The smaller sales clustered around the lake includes the Lake Herman Sanitary District I in lieu of septic systems; however, the Lake Herman Sanitary district is at capacity and no new lots are added. The largest detriment to the subject is the location over the Aquifer Protection Zone B, limiting the lot size useable area less ROW and roads, to 5.0 acres. Subject appears to be over the 5.0 acres; however, only a survey of the site would confirm this and the reason the site has an extraordinary assumption for useable area to be minimum of 5.0 acres. The $65,000 lot includes surplus land for a pasture. Most recent activity is unimproved residential lot sales settling in between $35,000 to $45,000 range.
Subject Photos

Subject Photos 7-19-19

View from NW corner of adjoining land and site of rural water valve.

View from NW corner roadway looking to E. NW corner has higher elevation than road.

View from NW corner roadway looking to S. NW corner has higher elevation than road.

View from NW corner looking to E dividing line between subject and neighbor.

Kingbrook Rural Water valve near the NW corner of subject, but on adjoining land N.

View from NW corner looking to S.
View from NW corner looking N to adjoining property and area.

View from middle of W side looking to S along W side.

View from SW corner looking to N and NE on township gravel surface road.

View from SW corner looking to N. Trees have water standing from E drainage.

SW corner looking to E along S side of subject.

View from SW corner looking to NE. Water in SW corner and in grass. Drainage way.
Subject Photos 7-19-19

View from SW corner looking S into Prairie Village and Lake Herman.

View from SW corner looking to W towards Country club golf course to west.

Moonlight Inn (closed) W of SW corner.

View from SW corner looking W to NW towards Moonlight Inn for sale and closed.

SW corner looking to SE towards Prairie Village campus.

SW corner looking E towards City of Madison.
Subject Photos 7-19-19

View along S side, near SW corner looking to N. Drainage is green grass by trees.

View from SE corner looking to W along S side.

View from S side W of SE corner, looking to N. Low area and drainage water standing.

View from SE corner looking to N. Property line not clearly visible.

View from SE corner looking to E towards City of Madison, and residential neighbors.

View from SE corner looking to SW towards Prairie Village.
HIGHEST AND BEST USE:
Real estate is appraised in its highest and best use. In determining the highest and best and use of a property, consideration must be given to the land as if vacant, and then considering the improvements if applicable. First, it is necessary to define highest and best use. In this appraisal, the appraisers have relied on the definition of highest and best use as defined in The Dictionary of Real Estate Appraisal, Sixth Edition, published in 2015.

Highest and Best Use. The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are:

1. Legal permissibility
2. Physical possibility
3. Financial feasibility
4. Maximum productivity

In the evaluation of the highest and best use of a property, the appraisers have reviewed the four criteria listed above and summarized this analysis for the subject tract as follows:

HIGHEST AND BEST USE OF THE SUBJECT SITE “AS IS” VACANT:

Legal permissibility considerations are mainly those presented in the Zoning and Private Restrictions section. Subject site is zoned rural Agriculture (AG) District. This zoning allows a wide range agriculture uses given the physical limitations are met. A complete list of uses can be found in Addenda as Exhibit 2. No other easement, other than typical utility easements necessary to the development of the site, were found on subject. Subject has limits to non-agriculture use due to restrictions by the aquifer and setback from local residential homes and size must be at least 5.0 acres of useable area excluding right of way. Subject is not in city limits and is not expected to be in the foreseeable future due to sanitary sewer limits. Subject use ag agriculture production with transition to rural residence is permissible. Legally, subject is not restricted for the AG zone beyond what is physically possible to develop on subject limited by the Aquifer Protection Zone B.

Physically, subject has immediate access from a public street along the south and west side of the site given the use is agriculture use. A non-agriculture use such as a rural building site for residential home cannot be less than 5 acres of useable area excluding the ROW, easement and deeded ROW, along with drainage limits and access will remain with the township road on the west side. Site is on a corner lot and would have setback limits. An arterial street US 81/SD34 fronts the subject on the south and the unimproved, gravel surface road, 452 Avenue is along the west side. For residential use the site must be at least 5 acres and subject is over 5.0 acres, subject to survey. Residential use is considered non-agriculture use. No other non-agriculture use is permitted due to close proximity to other residential homes, size, and the aquifer zone B.
Subject site is uneven with higher and lower topography, drainage water way from adjoining property, and it sits on the aquifer protection zone B. Site does have a low wet areas because of the slope of the site and drainage waterway along with in over the Aquifer Zone B Protection area. Site can only be used legally for residential and agriculture given the physical limitation.

**Financial feasibility** considerations are limited to either agriculture use or single family residential. The legally and physical limits confine subject to supplemental add on to an existing production operation or rural residential building site for one single family home. Home occupation businesses are likely to be permitted but other uses are not. The site has a limited range of legally possible and physical permitted uses. The location on arterial roadways, high traffic counts and size limits agriculture hay land as an economic use. The ideal use would be rural residential lot for one single family home who operates a home business. Market has demonstrated demand for those allowed uses and for this type of location at a fairly consistent price level, even for a wide range of uses, so there are a number of potential financially feasible uses within the allowed zoning that produce fairly similar returns to the land.

Therefore, the **maximally productive** and highest and best use of the subject site, as if vacant, is a current use of agriculture transitioning to rural residential house with a home occupation business within the constraints of the aquifer protection zone B. In the opinion of the appraiser, the ideal improvement for the property is to develop the site for a residential home with a home business. Access would be restricted from the township gravel surface road when a non-agriculture use occurs.

Therefore, the highest and best use is transition from agriculture production to a rural residential building site and utilizing agriculture use to pay for the holding costs.
APPRAISAL PROCESS

The estimate of market value of a property usually calls for employment of three approaches to value. These approaches to value are identified as follows:

Cost Approach  
Sales Comparison Approach  
Income Capitalization Approach

In the Cost Approach, the appraiser estimates the replacement cost new of the improvement. A deduction is made for depreciation due to wear and tear, design and plan and neighborhood defects based upon the market. The value of the land, which is estimated by comparison with similar unimproved tracts, is then added to the depreciated cost of the improvement. The cost approach was not utilized for the analysis.

In the Income Capitalization Approach, the appraiser estimated the fair market rent of the property from other market rents found in competing similar properties. Next, there is a deduction for operating expenses. The net income is then capitalized into a value indication by means of a capitalization rate taken from the market. The income approach was not utilized for the analysis.

In the Sales Comparison Approach, the appraiser compares the subject property on square footage basis with similar sale properties for both land and improvement. Adjustments are made for all factors of dissimilarity recognized by the market. Researched sales were considered and used to develop market adjustments; however, the appraiser used only those sales considered to be most similar to the property appraised. After an analysis, the data is then correlated into a final value estimate by this approach.

Appraiser then correlates the indicated value estimate of the applied approaches into a final value estimate. Consideration is given to the relative strengths and weaknesses of each approach, giving the most weight to the approach most commonly used by typical purchasers for the type of property appraised.

Subject is vacant land with reliance upon the sales comparison approach, since the cost approach for unimproved land is based upon a comparison of the cost of land and is the same as the sales comparison approach. The income approach is not applied in this analysis due to size.
SALES COMPARISON APPROACH:
In the Sales Comparison Approach to value, the subject property is compared to sales of similar properties. Sales Comparison Approach is based upon the premise that the value of a property is directly correlated to the price paid for similar properties in the market.

Appraiser has reviewed the rural Lake County area for sales of unimproved land. The appraiser found a few sales, per the highest and best use analysis in these areas for the past three years. The appraiser has selected four of the most similar properties from these researched sales to directly compare to subject.

UNIT OF COMPARISON:
Unit of comparison is the measure utilized in the market to compare properties. Unit of comparison normally utilized in the comparison of residential lots is the housing right to build on a lot basis. Based upon discussions with individuals involved in the sale of the comparable properties, the method that was most often utilized to compare those properties for a purchase or sale decision was the price per building lot. These sales can be found in the Addenda.

Based upon this, the appraiser has compared the subject property to the sales based upon price per housing lot for 1 single family home. In the Addenda is a map showing the location of the selected comparables, and following the map is a complete description of each of the sales. Although the comparables are considered equivalent to the subject property in many aspects, adjustments to the sales were required to utilize these sales for direct comparison. Grid analysis on the following page shows the adjustments made to the comparables and following is a discussion of the adjustments considered. In making the comparison of subject to the sales, the following elements of comparison are considered and shown below in the sequential order of their application.

1. Property Rights Conveyed
2. Financing
3. Conditions of Sale
4. Market Conditions (Time)
5. Location
6. Physical Characteristics

Property Rights Conveyed:
Subject rights are encumbered with a Rural Water ROW easement along the edge and a township right of way road use. The rural water benefits the subject and it is typical to have township ROW. No other property rights conveyed outside of zoning limitations on site.

Financing:
All sales were sold for cash or on terms considered equivalent to cash. No adjustment has been made for financing.
Conditions of Sale:
Adjustments for conditions of sale usually reflect the motivation of the buyers and sellers. There are no unusual conditions of sale known to the appraisers. As best the appraisers can determine, the sales were negotiated between knowledgeable buyers and sellers often represented by real estate professionals, with circumstances common to this market.

Market Conditions (Time):
Overall economy of the Lake County area market has remained steady over this 3 year period. No adjustment has been made for time.

PHYSICAL:

Location:
Subject property is located west of Madison and north of Lake Herman along US 81/SD 34. Location is a corner lot over the Aquifer zone B protection area. Location is rural. Subject meets all the zoning requirements for a single family lot and is greater than 5.0 useable area and comparable to smaller sized lots that are not over an aquifer zone B protection. No adjustment is made for location.

Physical Topography and drainage:
Site has a drainage area but remains in a building area. Site is well drained. All common utilities are available to the site and site has typical preparation costs. Rural electric and water is available like sales. No adjustment is made for topography and drainage.

Size/shape:
The subject site and sales meet the single family residential physical limits based upon zoning and land use. No adjustment is made for size or shape.

Sales Grid with noted adjustments follows on the next page:
## Land Sale Comparison As if Vacant

<table>
<thead>
<tr>
<th>Subject</th>
<th>Land Sale 1</th>
<th>Land Sale 2</th>
<th>Land Sale 3</th>
<th>Land Sale 4</th>
<th>Land Sale 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grantor/Grantee</td>
<td>State of SD Land</td>
<td>Clauson to Williams</td>
<td>Tunender to Flatten</td>
<td>Basler to Schwebach Const</td>
<td>Lemme to Colling</td>
</tr>
<tr>
<td>Location</td>
<td>452 Ave &amp; Hwy 81/34</td>
<td>NW of Lake Herman</td>
<td>West of Lake Herman</td>
<td>South of Wentworth</td>
<td>East of Lake Herman/West of Madison</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>East of Lake Herman/West of Madison</td>
</tr>
<tr>
<td>Market Area</td>
<td>Central Lake County</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
<td>Similar</td>
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<tr>
<td>Site Size - Acres</td>
<td>5.57</td>
<td>1.27</td>
<td>1.82</td>
<td>2.96</td>
<td>1.09</td>
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<td>Site Size - Sq.Ft.</td>
<td>242,629</td>
<td>55,321</td>
<td>79,279</td>
<td>128,938</td>
<td>47,480</td>
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<td># Housing Rights</td>
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<td>1</td>
<td>1</td>
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<tr>
<td>Sale Price</td>
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<td>$45,000</td>
<td>$39,900</td>
<td>$40,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>Price Per Sq Ft.</td>
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<td>$0.57</td>
<td>$0.31</td>
<td>$0.84</td>
<td>$0.68</td>
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<td>Price Per Acre</td>
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<td></td>
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<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Adjusted Sale Price</td>
<td>$28,500</td>
<td>$45,000</td>
<td>$39,900</td>
<td>$40,000</td>
<td>$40,000</td>
</tr>
<tr>
<td>Conditions of Sale</td>
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<td>$39,900</td>
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<td>$45,000</td>
<td>$39,900</td>
<td>$40,000</td>
<td>$40,000</td>
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<tr>
<td>Time Differential (Years)</td>
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<td>4.26</td>
<td>1.43</td>
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<td>Annual Time Adjustment Factor</td>
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<td>0.00%</td>
<td>0.00%</td>
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<td>0.00%</td>
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<tr>
<td>Adjusted Sale Price</td>
<td>$28,500</td>
<td>$45,000</td>
<td>$39,900</td>
<td>$40,000</td>
<td>$40,000</td>
</tr>
</tbody>
</table>

**PHYSICAL - All similar**

| Concluding Range | C | $28,500 | $45,000 | $39,900 | $40,000 | $40,000 |
| INDICATED VALUE | $40,000 |
Reconciliation to Value:

After adjustments, the sales indicate a range in value from $28,500 to $45,000 per lot. Sales shown are the best comparable available in the market. These sales provide a range of market demonstrated prices with two of the selected sales providing a market range in values summarized above. Property rights restrictions and the site size differences make up the largest percentage of the total physical adjustments to the sales, because of the differences in the relative size/value of the lot and improvement found on subject versus the sales.

All of the sales provide a good basis for estimating value of the subject, and appraiser has placed the most emphasis on sales 3, 4, and 5, based upon similar site limits and characteristics. Sale 1 is a corner lot in the golf course development and a smaller lot. Sale 2 is closer to the lake with a utility sanitary sewer use. Sales 3, 4, and 5 are similar to the subject per single family land use. The subject is 5.0 acre minimum useable area and comparable to any single family buildable lot to meet the minimum residential requirements. Subject cannot be used for other commercial or industrial use due to the aquifer zone B protection area. Pasture/hay land use is an option, but it is not the highest use of the site. In conclusion, it is the judgment of the appraiser the data presented indicates a market value based upon the Sales Comparison Approach for the subject property as of date of value in as-is condition is as follows:

Forty Thousand Dollars ($40,000.00)
### Land Sale 1

<table>
<thead>
<tr>
<th>Sale Id</th>
<th>LS-SD-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Date</td>
<td>4/12/2018</td>
</tr>
</tbody>
</table>

#### Location Information:
- **State**: SOUTH DAKOTA
- **County**: LAKE
- **Municipality**: MADISON
- **Address**: 45101 Herman Blvd.
- **Descriptive Location**: NW of Lake Herman, south of Golf Course
- **Legal Description**: Lot One (1) of B. Price Addition in Govt Lot Four (4) of Section 10, Township 106 N, Range 53 W of 5th PM, Lake County, SD

#### Sale Information:
- **Verified Price**: $28,500.00
- **Square Feet**: 55,294
- **Price Per Square Foot**: $0.52
- **Acres**: 1.27
- **Price Per Acre**: $22,452.14
- **Grantor(s)**: Nancy Clauson Irrevocable Trust
- **Grantee(s)**: Craig M. Williams, a married perso
- **Verification By**: Public Records and Grantor
- **Type Of Transfer**: WARRANTY DEED
- **Transfer Fee**: $28.50
- **Easements**: Common Utilities
- **Restrictive Covenants**: None found in Research
- **Book**: 632
- **Page**: 451

#### Site Information:
- **Zoning**: AG-Lake District Rural
- **Topography**: nearly level-slope off site.
- **Configuration**: Rectangular
- **Latest Use Before Sale**: Ag Land
- **Intended Use**: Residential Lot with new home
- **Highest And Best Use**: Residential
- **Percent Usable**: 100
- **Primary Frontage**: Herman Blvd. (north side of lot)
- **Secondary Frontage**: 451 Avenue (west side of lot)
- **Soil Preparation Required**: Typical
- **Improvements**: None at time of sale
- **Improvements Razed**: None at time of sale
- **Utilities Serving Site**: Rural

#### Neighborhood Information:
- **Neighborhood Access**: Highway 18/34, to 451 Avenue
- **Neighborhood Type**: Agriculture and Residential
- **Neighborhood Trends**: Growth
- **Percent Built-Up**: 25%

#### Comments:
MLS information per County records, indicate sold on open market. Buyer purchased to build new home. No direct view of lake. Close proximity to country club and Lake Herman. Located east of Pioneer Village. Septic system, rural water, rural electric.
## Land Sale 2

<table>
<thead>
<tr>
<th>Sale Id</th>
<th>LS-SD-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Date</td>
<td>5/1/2015</td>
</tr>
</tbody>
</table>

### Location Information:
- **State**: SOUTH DAKOTA
- **County**: LAKE
- **Municipality**: MADISON
- **Address**: 23438 451 Avenue
- **Descriptive Location**: W of Lake Herman
- **Legal Description**: East 457’ of Lot Two (2) Except the N 325’ thereof, and Except Lot A of Heidelberger First Addition thereof, of Tunender's Addition in Lake County, SD

### Sale Information:
- **Verified Price**: $45,000.00
- **Square Feet**: 79,236
- **Price Per Square Foot**: $0.57
- **Acres**: 1.82
- **Price Per Acre**: $24,738.87
- **Grantor(s)**: LeRoy E. Tunender, single person
- **Grantee(s)**: Josh & Billie Jo Flatten, husband and wife
- **Verification By**: Public Records and Grantor
- **Type Of Transfer**: WARRANTY DEED
- **Transfer Fee**: $45.00
- **Easements**: Common Utilities
- **Restrictive Covenants**: None found in Research
- **Book**: 590
- **Page**: 732

### Site Information:
- **Zoning**: AG-Lake District Rural
- **Topography**: nearly level-slope off site.
- **Configuration**: Rectangular
- **Latest Use Before Sale**: Ag Land
- **Intended Use**: Residential Lot with new home
- **Highest And Best Use**: Residential
- **Percent Usable**: 100%
- **Primary Frontage**: 451 Avenue (west side of lot)
- **Secondary Frontage**: Stoney Point Rd south side
- **Soil Preparation Required**: Typical
- **Improvements**: None at time of sale
- **Improvements Razed**: None at time of sale
- **Utilities Serving Site**: Rural

### Neighborhood Information:
- **Neighborhood Access**: Highway 18/34, to 451 Avenue
- **Neighborhood Type**: Agriculture and Residential
- **Neighborhood Trends**: Growth
- **Percent Built-Up**: 25%

### Comments:
MLS information per County records, indicate sold on open market. Buyer purchased to build new home. No direct view of lake. Close proximity to Lake Herman but no direct access. Located west of Lake Herman. Land to west is agriculture production area. Septic system, rural water, rural electric.
<table>
<thead>
<tr>
<th><strong>Sale Id</strong></th>
<th>LS-SD-</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sale Date</strong></td>
<td>3/1/2018</td>
</tr>
</tbody>
</table>

**Location Information:**
- **State**: SOUTH DAKOTA
- **County**: LAKE
- **Municipality**: MADISON
- **Address**: 23615 462 Avenue
- **Descriptive Location**: South of Wentworth of East of Lake Madison
- **Legal Description**: Lot Three (3) of Basler's Second Addition in N 1/2 of NE 1/4 of Section 29, T106N, R51W 5th PM, Lake County, SD

**Sale Information:**
- **Verified Price**: $39,900.00
- **Square Feet**: 128,945
- **Price Per Square Foot**: $0.31
- **Acres**: 2.96
- **Price Per Acre**: $13,478.98
- **Grantor(s)**: John & Darlene Basler, Basler Family Trust
- **Grantee(s)**: Schwebach Construction
- **Verification By**: Public Records and Grantor
- **Type Of Transfer**: WARRANTY DEED
- **Transfer Fee**: $39.90
- **Restrictive Covenants**: None found in Research

**Site Information:**
- **Zoning**: AG-District Rural
- **Topography**: nearly level-slope off site.
- **Configuration**: Rectangular
- **Latest Use Before Sale**: Ag Land
- **Intended Use**: Residential Lot with new home
- **Highest And Best Use**: Residential
- **Percent Usable**: 100
- **Primary Frontage**: 462 Avenue
- **Secondary Frontage**: None
- **Soil Preparation Required**: Typical
- **Improvements**: None at time of sale
- **Utilities Serving Site**: Rural

**Neighborhood Information:**
- **Neighborhood Access**: SD Hwy 34 then south on 462 Avenue
- **Neighborhood Type**: Agriculture and Residential
- **Neighborhood Trends**: Growth
- **Percent Built-Up**: 15%

**Comments:**
- MLS information per County records indicate sold on open market. Buyer purchased to build new home and sell as package. Buyer is contractor. No direct view of Lake Madison. Surrounding land is agriculture production area and similar rural acreage building sites. Septic system, rural water, rural electric. Three other parcels have sold around this sale all similar size. 4/03/2018=$30,000; 7/19/2018=$40,000; 9/28/2018=$39,900
**Sale Id** | LS-SD-
---|---
**Sale Date** | 5/14/2019

### Location Information:

- **State**: SOUTH DAKOTA  
- **County**: LAKE  
- **Municipality**: MADISON  
- **Address**: Descriptive Location: East of Lake Herman and west of Madison  
- **Legal Description**: Lot Three (3) of Block One (1) of Lemme Addition in the W 1/2 of NE 1/4 of Section 11, T106N, R53W 5th PM, Lake County.

### Sale Information:

- **Verified Price**: $40,000.00  
- **Square Feet**: 47,480  
- **Price Per Square Foot**: $0.84  
- **Acres**: 1.09  
- **Price Per Acre**: $36,697.25  
- **Grantor(s)**: Daniel Lemme, trustee Gayla D Lemme Living Trust  
- **Grantee(s)**: Irene Marie Colling  
- **Verification By**: Public Records and Grantor  
- **Type Of Transfer**: WARRANTY DEED  
- **Transfer Fee**: $40.00  
- **Easements**: Common Utilities  
- **Restrictive Covenants**: None found in Research  
- **Book**: 650  
- **Page**: 775

### Site Information:

- **Zoning**: AG-District Rural  
- **Topography**: nearly level-slope off site.  
- **Configuration**: Rectangular with curve on south side  
- **Latest Use Before Sale**: Ag Land  
- **Intended Use**: Residential Lot with new home  
- **Highest And Best Use**: Residential  
- **Percent Usable**: 100  
- **Primary Frontage**: 462 Avenue  
- **Secondary Frontage**: None  
- **Soil Preparation Required**: Typical  
- **Improvements**: None at time of sale  
- **Improvements Razed**: None at time of sale  
- **Utilities Serving Site**: Rural  

### Neighborhood Information:

- **Neighborhood Access**: Hwy 81/34  
- **Neighborhood Type**: Agriculture and Residential  
- **Neighborhood Trends**: Growth  
- **Percent Built-Up**: 20%

### Comments:

MLS information per County records, indicate sold on open market. Buyer purchased to build new home. No direct view of Lakes. Rural area with agriculture parcel to south yet to develop. Land to south is agriculture production area and similar rural acreage building sites. Septic system, rural water, rural electric.
Sale Id: LS-SD-
Sale Date: 1/26/2016

Location Information:
- State: SOUTH DAKOTA
- County: LAKE
- Municipality: MADISON
- Address
- Descriptive Location: East of Lake Herman and west of Madison
- Legal Description: Lot Four (4) of Block One (1) of Lemme Addition in the W 1/2 of NE 1/4 of Section 11, T106N, R53W 5th PM, Lake County.

Sale Information:
- Verified Price: $40,000.00
- Square Feet: 58,806
- Price Per Square Foot: $0.68
- Acres: 1.35
- Price Per Acre: $29,629.63
- Grantor(s): Daniel Lemme, trustee Gayla D Lemme Living Trust
- Grantee(s): Zachary & Teresa Neises
- Verification By: Public Records and Grantor
- Type Of Transfer: WARRANTY DEED
- Transfer Fee: $40.00
- Easements: Common Utilities
- Restrictive Covenants: None found in Research

Site Information:
- Zoning: AG-District Rural
- Topography: nearly level-slope off site.
- Configuration: Rectangular with curve on south side
- Latest Use Before Sale: Ag Land
- Intended Use: Residential Lot with new home
- Highest And Best Use: Residential
- Percent Usable: 100
- Primary Frontage
- Secondary Frontage: None
- Soil Preparation Required: Typical
- Improvements: None at time of sale
- Improvements Razed: None at time of sale
- Utilities Serving Site: Rural

Neighborhood Information:
- Neighborhood Access: Hwy 81/34
- Neighborhood Type: Agriculture and Residential
- Neighborhood Trends: Growth
- Percent Built-Up: 20%

Comments:
MLS information per County records, indicate sold on open market. Buyer purchased to build new home.
No direct view of Lakes. Rural area with agriculture parcel to south yet to develop. Land to south is agriculture production area and similar rural acreage building sites. Septic system, rural water, rural electric.
## Soils Map

**State:** South Dakota  
**County:** Lake  
**Location:** T2-106N-R33W  
**Township:** Herman  
**Acres:** 5.99  
**Date:** 7/18/2019

Soils data provided by USDA and NRCS.

<table>
<thead>
<tr>
<th>Area Symbol</th>
<th>Soil Description</th>
<th>Acres</th>
<th>Percent of Field</th>
<th>PI Legend</th>
<th>Non-irr. Class</th>
<th>Range Production (Bu/acre/yr)</th>
<th>Productivity Index</th>
<th>% NCCPI Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENB</td>
<td>Egan-Wentworth complex, 2 to 6 percent slopes</td>
<td>5.91</td>
<td>98.7%</td>
<td>IIC</td>
<td>IIC</td>
<td>2562</td>
<td>86</td>
<td>69</td>
</tr>
<tr>
<td>Wh</td>
<td>Whitewood silty clay loam</td>
<td>0.08</td>
<td>1.3%</td>
<td>IIC</td>
<td>IIC</td>
<td>2874</td>
<td>95</td>
<td>68</td>
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</table>

**Weighted Average**  

<table>
<thead>
<tr>
<th>PI Legend</th>
<th>Range Production (Bu/acre/yr)</th>
<th>Productivity Index</th>
<th>% NCCPI Soybeans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3771</td>
<td>84</td>
<td>68.9</td>
</tr>
</tbody>
</table>

*n:* The aggregation method is "Weighted Average using major components"  
*C:* Using Capabilities Class Dominant Condition Aggregation Method  
Soils data provided by USDA and NRCS.
PROFESSIONAL APPRAISER QUALIFICATIONS
Brian J. Gatzke, ARA, MBA
Northern Plains Appraisal, LLC
311 3rd Street
PO Box 63
Brookings, SD 57006-0063
(0) 605-692-9445
(C) 605-691-2119
(F) 605-610-0948
brian.gatzke@northernplainsappraisal.com
www.northernplainsappraisal.com

Awards:
- 2019 Outstanding Alumnus in Business School of Management and Economics, South Dakota State University
- 2018 National Accredited Rural Appraiser (ARA)- Rural Property Appraiser Professional of the Year by ASFMRA
- 2018 Outstanding Service by Department of Economics South Dakota State University
- 2016 Outstanding Service by South Dakota Chapter of ASFMRA
- 2014 Outstanding Service by NorthStar Chapter of the Appraisal Institute

Education:
- M.B.A., 1989, Drake University, Des Moines, Iowa
- B.S.-Agriculture Business and B.A.-Commercial Economics, 1985, South Dakota State University (SDSU), Brookings, South Dakota
- A.A.-Farm & Ranch Management, 1980, Northeast Junior College, Norfolk, Nebraska
- Appraisal Education from both American Society of Farm Managers & Rural Appraisers and The Appraisal Institute and The Appraisal Foundation

Business Experience (Appraisal Professional):
- 2007 to Present – Northern Plains Appraisal, LLC, Brookings, SD; Owner/Certified General Appraiser specializing in appraisal of agricultural, commercial, industrial, special use, transitional, recreational, and easement properties; also, estate/trust valuation, legal casework valuation, IRS-based valuations for non-cash charitable contributions of real property, Yellow Book (UASFLA), special income-based properties; consulting services for property research and market analysis; and sales research. (formerly Gatzke Appraisal),
- Adjunct Instructor, SDSU Economics Department, Principals of Real Estate Appraisal I/II (ASFMRA-A101/102), South Dakota State University, Brookings, SD
- 2018 + Instructor of Real Property Rights Seminar and Conservation Easement Seminar
- 2018 + Co-Instructor for ASFMRA – Yellow Book and Principals/procedures classes
- Manage and crop share with tenant a row crop corn/beans and crop share same since 1990.

Representative Clients:

City of Brookings, SD
- Brookings Economic Development Corp., Brookings, SD
- First Bank & Trust, Brookings, SD
- First National Bank of Volga, Volga, SD
- The First National Bank in Sioux Falls, Sioux Falls, SD
- Home Federal Bank, Sioux Falls, SD
- AgFirst Farmers Coop, Brookings, SD
- South Dakota Game, Fish, & Parks (various counties)
- State Exchange Bank, Lemont, OK
- Hyperion Refining, LLC, Dallas, TX
- Venture Mortgage Corp., Edina, MN
- Plus Investments, LLP, Brookings, SD
- BankStar Financial, Brookings, SD
- Rabo AgriFinance, Kearney, NE
- Black Hill Properties, Inc., Brookings, SD
- SDSU Foundation, Brookings, SD
- Brookings Area Transit Authority, Brookings, SD
- The Nature Conservancy, Minneapolis, MN
- Nelson Farms, Inc., Brookings County, SD
- City of Aurora, SD
- MetaBank, Brookings, SD
- CorTrust Bank, Mitchell, SD
- Jencks & Jencks, PC, Madison, SD
- Jencks & Jencks, PC, Madison, SD
- Jencks & Jencks, PC, Madison, SD
- Jencks & Jencks, PC, Madison, SD
- Home Federal Bank, Hartford, SD
- SD Crop Improvement Association, Brookings, SD
- Brookings School District, Brookings, SD
- Brookings Municipal Utilities, Brookings, SD
- Brookings Municipal Utilities, Brookings, SD
- SD Foundation Seed, Brookings, SD
- Monster Bank, Brookings, SD
- Farmers State Bank, Bridgewater, SD
- AgStar Financial Services, ACA, Blue Earth, MN
- Bryant State Bank, Bryant, SD
- American State Bank, Sioux Center, IA
- Individuals/Trusts/Estates, Eastern SD
- SD Dept of Transportation, Pierre, SD
Professional Memberships:
- A.R.A. Accreditation degree, American Society of Farm Managers & Rural Appraisers
- Candidate Member of The Appraisal Institute and North Star Chapter of the Appraisal Institute
- Professional Member – Land Trust Alliance 2010 to present
- Professional Appraiser Association of South Dakota member
- Board Member 2014 to present – SD Historical Society Foundation
- 2015-2017 Government Relations Co-Chair – American Society of Farm Managers and Rural Appraisers
- 2014-present Board Member – SD Chapter American Society of Farm Manager and Rural Appraisers
- Past Education development for the NorthStar Chapter of Appraisal Institute
- Board Member (2008-2010) – Brookings Economic Development Corporation
- Past President (2008-2009) and active member since 1994 – Brookings Club, Rotary International
- Alumnus (2005-06) – South Dakota Agriculture & Rural Leadership Class III

Professional Training & Education (ASFMRA & AI):
- 15-Hour National USPAP ’02
- Fundamentals of Rural Appraisal ’03
- Principals of Rural Appraisal ’04
- Appraising Rural Residential Properties ’04
- Eminent Domain ’04
- Income (Unleveraged) ’04
- Advanced Highest & Best Use ’04, ’16
- Advanced Rural Appraisal ’04
- Appraisal Report Writing ’04
- Uniform Ag Appraisal Report Seminar ’04, ’05
- Math Awareness & Hazards ’05
- Farm Management & Real Estate Appraisal ’05
- Appraising Ag Land in Transition ’05
- Leadership Institute (DC) ’05, ’06, ’08, ’11
- Yellow Book Seminar ’05
- USALFA (Yellow Book) 4 Day ’05
- Farmer Mac Overview ’05, ’09
- Conservation Examinations [ASFMRA/ASA] ’09
- Conservation Examinations [AI] ’07
- Int. Approaches to Value for Rural Appraisal ’10
- Adv. Approaches to Value for Rural Appraisal ’10
- Gen. Appraiser Mkt Analysis/Highest & Best Use ’10
- Advanced Rural Case Studies ’10
- 7-Hour National USPAP ’03, ’06, ’08, ’11, ’13, ’14, ’15
- ASFMRA Instructor Workshop ’11, ’14, ’15
- Case Studies in Residential Highest & Best Use ’03
- Scope of Work ’05
- Income Capitalization Approach Pt. 1 ’09
- Income Capitalization Approach Pt. 2 ’09
- Advanced Income Capitalization ’09
- Advanced Income Analysis & Theory ’10, ’16
- Real Est. Finance Statistics & Valuation Modeling ’10
- General Appraisal Report Writing & Case Studies ’10
- Advanced Concepts & Case Studies ’10
- IRS Non-Cash Charitable Contributions ’11
- Online Business Practices & Ethics ’12
- Appraising Natural Resources ’13
- Appraisal Review—Residential ’12
- Dairy Valuation ’12
- Conservation Examinations & Your Taxes ’12
- IRS Webinar ’12
- Income Approach Applications ’13
- Valuation of Intangible Non-Financial Assets ’13
- Economic & Housing Outlook ’13
- Cost Approach & Highest & Best Use Workshop ’13
- Income Capitalization Workshop ’13
- Sales Comparison Approach Workshop ’13
- 15th Real Estate Trends—Commercial/General ’13
- Training Course for Supervising Appraisers ’13
- AI Leadership Development & Advisory Council ’13
- Basic Appraisal Principles ’13
- ASFMRA Annual Convention ’13, ’14, ’15
- Rapid Fire Case Studies ’13
- Eminent Domain Federal Highway DOT ’15
- IRS Valuation Seminar ’11, ’14, ’15, ’17
- Statistics for Appraisers ASFMRA ’16
- UASFLA “yellow books” new 2016 edition ’17, ’18
- Appraising Rural Residential Properties ’17

Experience:
Adjunct for South Dakota State University Department of Economics-Minor of Real Estate since 2014.
Instructor appraisal valuation topics for American Society of Farm Managers and Rural Appraisers 2017 to present, The Land Trust Alliance at Rally speake 2016, SD Ag Bankers in 2014-16, 19 and SD Bar in 2014, Active board member of the South Dakota Chapter of ASFMRA 2015-present 2015-2015 Board member of the North Star Chapter of the Appraisal Institute and successfully completed AI-LDAC 3-year training program, Past Committee Chair (2009-2009) of the Brookings Area Chamber of Commerce Agricultural Relations Committee, past president of Rotary International Club of Brookings, SD, and currently active with the SD Historical Society Foundation board member and Treasurer 2015-16.
My wife and I own agricultural, residential, and commercial properties in eastern South Dakota; I was raised on a family farming/livestock operation and involved in agriculture for more than forty years. These interests maintain my foundation in the agriculture and commercial sectors.

From 1982-2003, (20 years) I was employed by Daktronics, Inc. as traded on the NASDAQ @ DAKT.
South Dakota Department of Labor and Regulation

NO: 818CG

This is to Certify that BRIAN J. GATZKE of AURORA, SD is duly licensed to appraise property in the State of South Dakota as a

STATE CERTIFIED GENERAL APPRAISER
Highest Level

from the date hereof until September 30, 2019 unless terminated by the Department

State-Certified General Appraiser classification applies to appraisal of any type of property without regard to transaction value or complexity. The appraiser is bound by the Competency Rule of the Uniform Standards of Professional Appraisal Practice.

IN WITNESS WHEREOF,
this document was signed by the official in charge of licensing and certification on September 04, 2018

2019

[Signature]

Secretary,
SOUTH DAKOTA
DEPARTMENT OF LABOR AND REGULATION